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ALLOTMENT OF FUNDS BY EXECUTIVE OFFICIALS, AN ESSENTIAL FEATURE OF ANY CORRECT BUDGETARY SYSTEM

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That congress is to be the body that should finally determine the amount of money to be available each year for the support of the various branches of government no one questions. In exercising this function, however, congress has open to it a wide range of discretion. It can do as the British parliament did for centuries after it had taken to itself the power of the purse, vote a lump sum, or, what was the same thing, the total product of certain taxes, for the support of the government, leaving it to the executive—the crown—to apply this sum to the various objects of government as its discretion dictated. Or it can do, as parliament now does, specify in general terms the manner in which this total shall be distributed among the several branches of government, leaving to the executive the authority to allot these sums more specifically. Or, finally, it can do, as congress now in great part does, attempt to set forth in the greatest practicable detail the precise manner in which the sums voted shall be applied.

This latter method means that congress seeks by law to give precise and detailed instructions to the executive as to exactly how the money appropriated shall be spent, just what stations, bureaus, and offices shall be maintained, how much money shall be spent for the remuneration of personnel, the number of persons that shall be employed, the compensation that shall be paid to each, the character of the work that shall be undertaken, and the expenditure that shall be made for each item, the amount of money that shall be spent for this or that kind of supplies, materials, etc. This method ignores, as far as it can, the fact that the efficient conduct of affairs necessarily involves the exercise of discretion from day to day by those actually in charge of the work to be performed, that it is impossible to estimate in detail the precise sum that will be required for each subdivision of a work, that contingencies impossible to foresee will constantly arise making it desirable that decisions as first taken should be radically changed.

It is not contended that congress, in all cases, carries its particularization of the manner in which money appropriated for the support of the government shall be expended to the extent above suggested. Anyone familiar with administrative affairs at Washington, or the contents of the general appropriation acts, can easily point out numerous cases where congress has made its appropriations for certain services or certain categories of work in the form of so-called "lump-sum" appropriations. The best example that the writer knows of such an appropriation is that made for the taking of the thirteenth census and the support of the bureau of the census during the three-year census period. In effect congress voted in three installments, in as many appropriation acts, covering this period, a lump-sum of fourteen or fifteen million dollars for the taking of this census and the carrying on of other lines of work in charge of the bureau of the census. Although certain limitations were imposed upon the bureau in respect to the number of persons who might be employed at certain salaries, the expenditure of this large sum was practically left to the discretion of the director of the census, and his official superior, the secretary of commerce and labor.

The existence of appropriations of this character does not, however, controvert the statement that the general policy of congress in making provision for the support of the government is otherwise. All of these cases may be taken as exceptions. Congress makes them unwillingly. It looks upon them as exceptions to its general policy of specification in all practicable detail. As soon, and as far, as it can secure the basis upon which to act, it eliminates them. This spirit can be traced in the policy pursued in respect to many services and lines of work. When new services or lines of work are first established or inaugurated, congress, from lack of information, has been forced to make the appropriation for their support in general terms. From year to year, however, progress is made towards greater definiteness as regards the manner in which the appropriation shall be expended until finally a condition of detailed specification is reached. We may thus say that the policy of congress, no matter how many exceptions may be pointed out, is to determine in advance, as far as it is practicable to do so, the precise manner in which all moneys appropriated shall be expended.

Is this the correct policy? Does it lend itself to economy and efficiency in the conduct of government? If not, what policy should be pursued?

To answer these several questions it is necessary to recognize that the matter of appropriations has two sides. It must be looked at from

the legislative as well as from the executive viewpoint. In respect to the operations proper of the government, congress has three important functions to perform. It is its duty to direct, to finance, and to supervise. Upon it falls the obligation of determining what shall be activities of the government, of providing the funds for their conduct, and of seeing that the directions given are observed and that the moneys voted are expended in a proper manner.

This separation of the functions of congress in relation to administration is of importance, since the administration, chafing against the rigid restrictions placed upon it, seeing its hands tied in respect to the expenditure of funds, and finding itself often in a position where it can not meet emergencies as they arise, is apt to lay the whole blame upon congress. To it the policy pursued by that body is simply the result of the desire of the latter to be the dominating factor in respect to the conduct of affairs, as but an evidence of the wish of persons to magnify their importance and exercise all the authority they can grasp.

This feeling, natural as it is, is, in the opinion of the writer, an unjustifiable one. Congress seeks to specify in the greatest practicable detail how money shall be expended, not because it desires to usurp the functions of the administrator and to deprive the latter of all initiative and discretion, but because it is the only practicable way that it has discovered by which it can exercise its function, which all must agree is its, of supervising and controlling the manner in which the executive performs its duties.

It should be remembered that where discretion is lodged in executive officials in respect to the expenditure of funds such officials are subject to much the same pressure from the outside as are members of congress. If the matter is one of prosecuting work in this section of the country or in another, or of maintaining this station and abolishing that one, of fixing the compensation of this official or that at a high or low figure, pressure exceedingly difficult to resist by or on behalf of the sections or persons interested will immediately develop. Anyone familiar with the details of government work can mention any number of cases where the grant of executive discretion has been abused. Many cases where appropriations in detail have been substituted for appropriations in general terms have been directly due to the attempt on the part of congress to prevent in the future abuses which have occurred in the past. The problem is thus by no means as simple as it would at first sight appear. We have here conflicting considerations which it is by no means easy to harmonize, yet harmonized the writer believes they

can be if the device and practice advocated in the present paper are followed. That this device and practice may be clearly understood it is necessary that one other principle of administration should be discussed.

Supervision and control, such as is the function of congress in respect to the administration, can be exercised in two ways. If a board of directors of a corporation with headquarters, say in Washington, has the duty of directing and controlling the operations of a number of establishments located at different points, it can exercise this function by either: (1) laying down the rule that the managers of their several establishments shall undertake no work and incur no expenditures until they have received previous authorization from the board; or, (2) it can formulate a general program of work, place at the disposal of the managers funds believed to be sufficient to permit of the carrying out of such program, and then exercise supervision over the manner in which this trust is discharged through the requirement periodically of detailed reports showing monthly how the money has been expended. Under one system, control is exercised through direction in advance; under the other, through the requirement of rigid accountability for work done.

There is here presented a clear-cut choice of methods. Everyone making use of agents for the carrying on of a business has to make choice of the extent to which he will rely upon one or the other. What the choice will be is determined largely by the extent to which it is possible for the person directing the enterprise himself to determine in advance what his local manager should do. There can be no question that in enterprises comparing in scope and complexity to government operations, the second of the two methods of supervision and control will be the one adopted. In this way, and in this way only, can it be hoped to secure real efficiency and economy in operation. This is the method, therefore, that is adopted by all large private enterprises. Congress, with its policy of detailed appropriation acts, bristling with limitations of all sorts, has adopted the former. Now why has congress pursued this policy? Congress is composed to a very considerable extent of members familiar with business practice. It has done so, not because it was ignorant of the disadvantages incident to the attempt to prescribe minutely in advance what shall be done. No one knows better than the members of congress, and particularly those serving on the appropriation committees, how bad are the results in many cases of this attempt to tie down the administration, to circumscribe their discretion, to limit their authority. It has made the election simply

because it saw no other way out. It was either that or an abandonment on its part of the attempt to exercise the obligation clearly resting upon it of supervising, and, in the last resort, controlling the conduct of government affairs. Fundamentally, therefore, the adoption of the present practice of detailed appropriation bills, of the policy of directing rather than supervising, is due to the failure to develop means through which the latter policy may be effectively employed.

The foregoing may seem to be a very indirect method of approaching the subject to which this paper relates. It is impossible, however, properly to support a proposal of means for the solution of a problem until the contents of the problem are clearly understood. Until we know just what are the proper functions of congress in respect to financing the administration, the difficulties that it has to contend with in discharging these functions, the possible lines of action that are open to it, and the reasons which have dictated the choice made, we are in no position to consider intelligently any proposed departure from this practice.

All that has been said up to the present time has had for its purpose to make clear certain fundamental propositions. These are:

1. That, as regards the administration of public affairs, Congress occupies precisely the position of a board of directors of a private corporation.

2. That as such board it has the function of determining, in general terms at least, what such public corporation shall do, of providing the funds with which such work may be done, and of exercising such supervision as may be necessary to insure that its will is properly carried out.

3. That in discharging these functions, it is desirable, if the maximum of economy and efficiency is to be obtained, that it should formulate its directions in general terms, make available funds with only such itemization and restrictions as are necessary to insure that general policies in respect to work are carried out, and leave to the persons intrusted with the actual performance of the work the largest practicable discretionary power.

4. That such a policy can not be pursued without grave danger, unless at the same time effective means are provided by which congress may exert a rigid supervision over the manner in which this large grant of authority is exercised: just in proportion as authority is given, means of supervision must be strengthened.

5. That this policy, which congress itself would probably admit to be the correct one, is not now pursued, because, in point of fact, ade-

quate means for exercising such supervision are not now available to it, and

6. As a logical deduction from the foregoing, that a change to the correct policy can only be expected as the result of the provision of such means.

It is the purpose of this paper to suggest a procedure which, in the opinion of the writer, will, if consistently carried out, furnish such means. This procedure consists in the adoption, as a matter of legal requirement, of what has been termed in the title of this paper the allotment of funds by executive officials. By allotment of funds by executive officials is meant that each official having responsibility for the expenditure of funds will, immediately upon knowledge being obtained by him of the funds that will be available for the operations of his service during the ensuing fiscal year, proceed to formulate an administrative budget or subappropriation scheme setting forth in detail how he proposes to expend this sum. Many services, to a greater or less extent, at the present time do something in the way of attempting to determine in advance how money at their disposal will be expended. What is proposed is something quite different from this. The proposal here made is: (1), that the allotment of funds in this way shall be a matter of legal requirement instead of depending merely upon the individual wills of the several service chiefs; (2), that this allotment shall be formally made in writing, with the result that there will be brought into existence an appropriation document differing in no essential feature as regards form from an appropriation act enacted by congress; (3), that allotment ledgers shall be opened up in the accounting offices of the services corresponding to the appropriation ledgers maintained by the accounting offices of the treasury department; (4), that changes in the allotment of funds thus made shall only be made by formal action in writing on the part of the allotting authority; and (5), that the financial reports of the services shall clearly set forth the allotment scheme as originally established, all changes subsequently authorized and the expenditures actually made under each allotment head.

It will be seen that what is here proposed is, in effect, the establishment by law of a formal scheme of administrative sub-appropriations. The term "allotment" is used merely for the purpose of better distinguishing between such appropriations and those made by congress. Its adoption would mean the creation of a chain or logical scheme of successive appropriation acts, each successive act supplementing the one preceding and fixing in greater detail the assignment of funds to partic-

ular objects. Under this system congress will limit its action to the assignment of funds by main heads. The secretaries of the departments will take up the work where congress leaves off and make a further assignment of funds. The bureau chiefs will, in turn, allot these sums in still greater detail to the support of particular subdivisions of the work, or the support of particular units of organization, this process continuing as far as the conditions existing in the several services render desirable.

There are a number of features of this system, some of which will immediately suggest themselves: others are not evident except as an attempt is made to follow it in actual operation.

In the first place it means the substitution of a flexible for a rigid appropriation scheme. Where the assignment of funds is made in detail by congress there is little or no possibility of changing assignments to meet new conditions. If the amounts assigned to specific objects prove to be inadequate there is practically no remedy and the government service suffers; if too large, the evil is scarcely less great. As the appropriation is made for a specific object any balance unused must be covered back into the treasury. As such balance is thus not available to the service making it for use by it for other purposes, all or nearly all incentive is removed for realizing economies.

Under the allotment scheme here proposed, conditions would be exactly reversed. Were it possible to apply balances of appropriations resulting from economical administration to other needs of the service, a strong stimulus to keep down expenditures would be immediately introduced. Not only would the original assignment of funds to specific objects be made by persons having direct and intimate knowledge of needs to be met, but changes could be made in such assignment from day to day as altered conditions required. The appropriating authority as regards details would be the secretary or bureau chief as the case might be. All that would be required would be the execution of an administrative order directing the transfer of allotments as required.

In calling attention to this feature of the scheme, the writer wishes again to emphasize the imperative necessity that all proceedings under it should be of a formal character, in writing, and made a matter of record. The whole scheme would break down unless these elements were present. This means that no change should be made in an allotment except upon a formal request in writing on the part of the officer desiring the change in which the justification for the request is set forth and that the action taken upon the request should likewise be embodied

in a writing of similar character. These requirements mean not only that greater care will be taken by subordinate officials in estimating their needs and in formulating their requests to their superiors for the allotment of funds, but that they will only ask for increased funds when absolutely required. Each officer will be under a powerful incentive not only to keep within his limits but so to run his service as to realize a saving if possible. He will know that his record as an administrator will be much better if he can realize funds for other needs than if he has to be constantly running to his superior with requests for further allotments. This will be as true of the manager of the field station as of the bureau chief. There will then be an incentive to economy all down the line such as does not exist and can not exist under present conditions. It is the opinion of the writer that it is hopeless to expect any permanent and material improvement in respect to the economy and efficiency which with governmental affairs are managed until the system of government and its technical methods are so organized as to establish as a normal feature of its operation a real continuing incentive on the part of those in authority to perform their duties with all the economy and efficiency of which they are capable. It is one of the prime merits of the allotment plan here proposed that it lends itself to the introduction of such a feature.

In the second place such a scheme of allotments and allotment ledger accounts would bring into existence a system of financial records in each department or service through which the administrative heads would be kept in constant and immediate touch with the progress of work under their direction. The allotments in the first instance would be made on the estimates and supporting documents submitted by the chiefs of divisions, field stations and the like to the bureau chiefs and by the latter to the secretaries of the departments. The receipt and examination of these estimates and explanatory remarks would automatically compel each official exercising higher authority annually to review the work being prosecuted under his direction, consider proposals for new work and map out a program for the ensuing year. With this program embodied in its allotment appropriation document, the corresponding ledger accounts would show from month to month how the work, from a financial standpoint, was progressing. As no additional expenditure could be incurred without his express authorization, the allotting authority would perforce have brought to his attention all contemplated changes of importance. The administration would thus have, what he now too often lacks, a systematic scheme of accounts

enabling him to keep currently informed regarding conditions and operations of the services under his charge. Full opportunities would be afforded for comparing one station or branch of the service with another as regards the same subdivision. Upon this scheme could then be built up a cost-keeping and unit efficiency record such as should exist in all services.

Turning now to the relation of this system to Congress, the significant features of the system are: that it integrates perfectly with the appropriation acts; that while conferring large discretion upon executive officers it compels these officers to act as formally as does Congress itself; that it makes it obligatory upon them to promulgate an official subappropriation act; that no change can be made in such measure except by way of formal amendment; that the same obligation is then placed on executive officers to canvass carefully each year the prospective needs of their services as circumscribed by the appropriation acts relating to them and of embodying their conclusions in a definite document; that systematic records will be kept of all changes made in the provisions of such document as first promulgated and all expenditures actually made in accordance with it.

All these data will not only be a matter of public record but properly should be set forth in the annual report and estimates submitted by the administration for funds for the ensuing yer. Indeed the scheme might well provide that the allotments in the first instance should be made by a certain date and copies of the allotment documents forwarded to the secretary of the treasury, and the clerks of the senate and house or clerks of the appropriation committees of these bodies. These could be assembled in such a way that when reprinted they, in connection with the appropriations bill would furnish a statement showing in detail its assignment of funds for the years operations. If deemed desirable the law might provide that copies of all documents authorizing changes in allotments as thus made should be forwarded to the same officers. Congress will thus be able to determine for itself just what disposition of funds has been made, what changes have been made over prior practice, whether certain sections of the country, stations, lines of work, etc., have been unduly preferred. Executive officials thus become true agents of congress in solving its general problem of assigning funds for the conduct of the government. Congress will continue to determine the character of the activities that shall be undertaken, to provide the fund that shall be available for such work and to supervise its execution.

Instead of attempting, however, the impossible task of controlling through minute and inflexible instructions, it will control through definitely locating responsibility and requiring records, reports and procedure of such a character as will enable it readily to determine the manner in which authority delegated has been exercised.